

**City of Bitung
International Resource Cities Diagnostic
March 15-16, 2001**



Submitted by

Jon Bormet, Director, Resource Cities Program

USAID Cooperative Agreement

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Summary

The City of Bitung, Indonesia (cities are referred to as Kotas in Indonesia), Indonesia is a relatively small city of slightly over 100,000 located in the province of North Sulawesi. The city is located about 20 miles from the City of Manado, which has a first-class airport, and attracts many tourists to its islands and coral reefs. Unfortunately, the road linking the two cities is narrow, crowded, and in disrepair, so that the trip between the two cities can take over one hour.

Bitung would be a rather non-descript small city, hemmed in by the mountains and forests, if not for one thing—it has a natural deep-water port. Local officials recognize the port as their greatest asset, and repeatedly note that they wish to become a “harbor city.” Given its location in Indonesia, there is reason to believe that Bitung could well develop a multi-tiered strategy that would allow it to prosper and grow along with the port. To date however, it seems they know they want to be a “harbor city,” but they do not have the economic development skills necessary to fully appreciate the integration of the Port with the surrounding land use, transportation, and communications structure. Further, there is no real plan for how the city will benefit from new taxes/fees that could be generated from an expanded Port.

The Resource Cities Project

The City of Bitung has previously signed a Memorandum of Understanding indicating their interest in participating in the Building Institutions for Good Governance (BIGG) program. Specifically they agreed to participate in the International Resource Cities component of BIGG. Given this commitment, a municipal diagnostic was required to:

- Define the conditions of the City of Bitung; conditions that will influence the effectiveness of the exchange.
- Provide a profile of the Regency that can be used to select the most appropriate US partner.
- Identify the appropriate type of technical assistance or resources that should be exchanged in the partnership.
- Establish a framework for the Partner’s technical exchange work plan.

On March 15 and 16, Jon Bormet, Director, Resource Cities Program, and Trisanti Mitayani of ICMA’s Successful Local Government Support and Partnership program of BIGG met with members of the Regency DPRD and

representatives of the executive and administrative staff of the local government.

This report provides an overview of the meetings and findings of the diagnostic trip as well as an analysis of the findings as they relate to meeting the objectives of the regency—port development, economic development, transportation and land use. Further the diagnostic report offers a list of potential technical approaches that the partners may want to pursue. The report is divided in to four sections; Section 1) background; Section 2) summary of the meetings conducted; Section 3) analysis of diagnostic findings; and Section 4) recommendations on scope of technical exchange for the partnership.

1 Background

The City of Bitung is a small city of about 100,000 in the Province of North Sulawesi. The road connecting it to Manado is narrow, winding, and in disrepair. As a review of the potential of the City of Bitung to become a major Port city is reviewed, consideration of this road must be given, as is the primary link to the rest of the Province for Bitung.



Figure 1 Entryway to Bitung

The City of Bitung employs about 1,129 people, split between the 26 units of local government (including a hospital).

2 Summary Of Meetings

2a Vice Mayor Cornelis Supit

Deputy Mayor Supit has lived in Bitung for about 8 years, and previously was career military. He was chosen by the Mayor to serve with him, and each has been in the position for only a relatively short time. Vice Mayor Supt highlighted the following as the major areas of interest for the City of Bitung:

- Land Use and Zoning—pinned between the hill/forests and the ocean, the effective use of land in the city is critical
- Citizen Participation
- Lack of skill by local government employees, especially in assuming new duties do to decentralization.
- Finance and Budget Management
- Urban Services—Provision of clean water
- Development as a Harbor city.

Mr. Supit spoke at length about the coordination needed between all of the sectors is Bitung is to become the vibrant Port city of its vision. He stated that

transportation and land use were critical to this development. He also noted that “Europe” is interested in helping develop the harbor.



Figure 2 Bitung Vice Mayor Supit

The situation as to who will actually run the day-to-day operations of the Port is unclear. According to the Vice Mayor, the Port will become the responsibility of the City soon as part of the decentralization program, and the City will be given a two or three year probationary period to prove they are up to the task. If they fail. The Port would then be given back to the central government. However, when we spoke to a representative of the Port the next day, he said he had no knowledge of any kind of transition of authority to the local government.

Aside from the Port, the Vice Mayor spoke of the low level of citizen participation in the City,

and wanted to hear ideas about how to engage the local residents in their community. He is also worried about the lack of capacity of the local government workers, many of whom have virtually no experience in a local government required to make decisions and think for itself.

2b *Transportation Department—W. Dengah*

The head of the Transportation Department came from the Provincial government, and he seemed very savvy regarding the issues facing the City. He understands the need for the City to improve its road network so that it can truly serve the Port.

Many of the roads need to be widened—unfortunately, the local governments (and I believe the

Provincial government as well) have no ability to appropriate right of way by eminent domain.

As he explained the system, road planning is done in virtual secret, as is the acquisition of right-of-way. When a road is to be widened, the government goes out to start purchasing the necessary property very quietly, for once the project is known, they must compete with speculators who try to buy up the land before the government can make an agreement. This allows the speculators to buy the land cheap, and without any ability for “taking” the property, the government is simply required to give them a price they cannot refuse. It also requires some major jobs in right of way, as some simply will not sell no matter the price.



Figure 3 Bitung Transportation Department Staff

Is the US, this is a system that would create chaos, but Mr. Dengah says that they are very successful negotiating the purchase of land for right of way. It is also a system that is ripe for corruption, as word of an improved road “leaks” to speculators who can buy up the land more quickly than the government, and resell it to the government for exorbitant prices. And finally, it will make the US practice of having the public involved in major road projects less applicable, if in fact there is a huge financial price to be paid for that involvement.

2c *Public Cleaning Department*

The Public Cleaning Department is in charge of providing virtually all environmental related public services, including street cleaning; trash pickup; landfill operations; and sanitary sewer maintenance.

The Department charges for its services, collecting about 3,000 Rupiah (about 25 cents) monthly from each resident. The bills are collected door-to-door, and are a part of the water bill—if a customer doesn’t pay, they can have their water turned off. The City subsidizes about 50% of the operating costs of the department.



When increasing rates, citizens are not told in advance. However, no rate increase takes effect for three months, during which time citizens can protest, and the Council can decide to adjust the increase.

The Public Cleaning Department employs about 80 people, of which 28 are trash collectors.

Reflective of the state of decentralization in Indonesia, we saw what appeared to be blue paint in one of the open gutters in the city, and asked about the laws regarding this kind of pollution, especially in light of the City’s proximity to the harbor. It was noted that dumping material in the sewer was illegal—but that there was currently no penalty.

Figure 4 Open gutters are common--as is obvious pollution.

2d Public Works Department

The Public Works Department is not analogous to the normal US public works or service department. In Bitung, they are basically the engineering staff that develops projects and contracts them out. They also oversee the infrastructure of the City, including schools, public housing, and the hospital. They appear to have only two pieces of equipment—a compressor and a backhoe—and someone in the organization is in them.

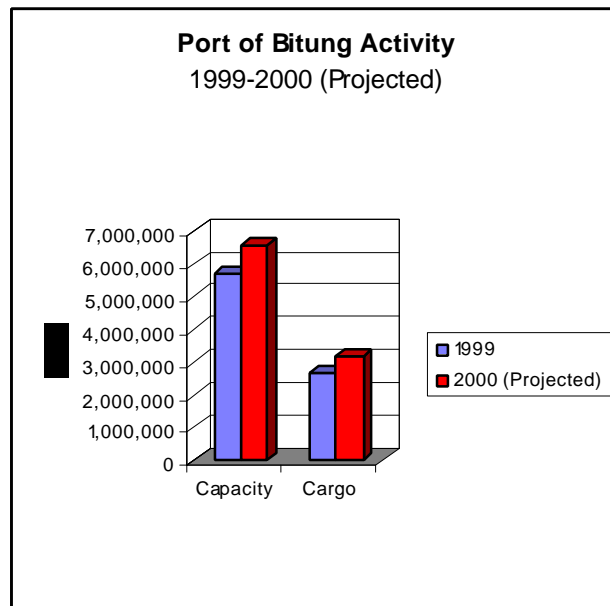
The Department includes 40 staff, of which 11 are engineers and 4 are contract administrators. The Department also employs around 15 temporary workers, who work on the streets but who are not regular employees.

Virtually all of the activity in the City is contracted out. How exactly those bids are awarded is a point of discussion, and a formal bid process done in secret might be something the partnership should explore.

2e Port—Max Lumempouw

The Port is operated by the Central government. We were able to speak with Max Lumempouw, who is part of the management group at the Port, and is a very knowledgeable person. He also knows English very well, and could be a tremendous asset in working with a US Port Authority.

The Port appears to be growing in activity, as the following graph indicates.



Please note that Year 2000 figures are projected based on June 30, 2000 data.

There is a loan to expand the harbor currently pending before the Minister of Transportation. A Japanese firm has been recommended for the expansion project, and he is very anxious for work to get underway.

The Port employs 135 workers, which does not include the customs and related personnel.

As previously noted, Mr. Lumempouw is not aware of any plans to give the Port to the City of Bitung. However, he says that there IS a plan to allow the Port to become a free-trade zone, which would have a significant positive impact on its growth, as it would be just the third such port in the country.



Figure 5 Port of Bitung

A major difference that potential US partner cities/ports should be aware of is that the Port of Bitung operates not just as an import/export center for goods, but also as a distribution site by water. As there are over 7,000 inhabited Indonesian islands, far more items leave/enter the Port by sea than by land. This may (or may not) mitigate the need for major road improvements in and around Bitung.

3 Analysis Of Diagnostic Findings

For purposes of analysis, ICMA / USAID developed a four point structure by which to determine the most useful technical information for each of the local government units in Indonesia as they implement Laws 22 and 25. The four points are:



Figure 6 Bitung City Hall

1. Organizational capacity
2. Transparent budget and financial systems and practices
3. Efficient delivery of services
4. Effective citizen participation

The analysis of the information that follows is organized around these four points.

3a Organizational Capacity

The City of Bitung has tremendous obstacles to overcome if they are to function as an effective local government. For too long, government employees appear to have been under worked—and probably underpaid. It is rare not to enter an office to see a number of employees actively engaged in doing nothing.

Establishing a culture of true public service is going to be a long and difficult effort, especially in light of the fact that it is virtually impossible to fire anyone.

The Vice-Mayor understands this to be a major obstacle to the success of the local government. It also should be noted that the employees are not necessarily lazy—it is just that there is few defined responsibilities for them, and the result is that there are too many people to do too little work. That said, it should be noted that many in management don't understand this to be a problem, as one manager even noted how the "formula" for calculating the number of workers needed showed the City to be short of 100's of "needed" employees.

3b *Transparent Budget And Financial Systems And Practices*

Bitung stands to gain revenues under the new fiscal balance law (Law 25/1999) and subsequent Presidential Decrees. However, they have neither the systems nor expertise to be expected to handle these additional responsibilities.

Balancing these demands is a universal issue; incorporating the budget and finance training into the work of the partnership will contribute greatly to achieve equitable distribution of financial resources. City of Bitung finance and budgeting challenges are:

- Developing a long – term revenue and expenditure plan that provides for fiscal sustainability when GOI transfers diminish.
- Developing revenue-generating schemes that can are tied to and demonstrate performance or change in a particular service area.
- Computerization of the department

3c *Efficient Service Delivery*

The enormous transformation of the work force into hard-working civil servants will require assistance in developing supervisory practices, maintaining performance reports, and monitoring staff performance.

3d *Effective Citizen Participation*

There is little real citizen participation. Building a culture of citizen involvement will take a long and dedicated effort on the behalf of elected and appointed officials.

4 *Recommendations For The Partnership Exchange*

4a *Recommended Approaches For IRCP with the City of Bitung*

Port of Bitung The lifeblood of City of Bitung is the Port. This is an enormous resource, and it should be fully developed to bring the City and its citizens the economic opportunities they so dearly need.

Further, the Port involves a comprehensive effort involving:

- Transportation
- Land use and zoning
- Redevelopment
- Job training.
- Citizen Participation

The City and Port of Bitung offer a great collaborative opportunity for a west coast US Port to partner with what could become a very important Port in Indonesia and Southeast Asia.